USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 9/30/2004

GAIN Report Number: PE4015

Peru

Exporter Guide

Annual

2004

Approved by:
Melinda D. Sallyards
U.S. Embassy

Prepared by:
Violeta Gutierrez

Report Highlights:
Peru's economy is considered one of the most vibrant in Latin America today. Upcoming Andean Free Trade Agreement, fast growth of supermarkets and fast food chains as well as new investment in lodging offer valuable opportunities for U.S. exporters. Best consumer-oriented product prospects include cheese, wine, snacks, processed fruit and vegetables, fruit and vegetable juice, fresh fruits and pet food. The Exporter Guide intends to summarize key trade and market aspects to smooth U.S. importers entering Peru's food market.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Lima [PE1]
[PE]

Table of Contents

Section I. Market Overview

Peru's economy is considered one of the most vibrant in Latin America today. In 2003, the country led the hemisphere with 3.1 percent of GDP, driven by investment, domestic demand and exports. GDP reached almost $40 billion. Inflation was low at 2.5 percent. In 2004 and 2005, GDP's growth is expected to reach 4.3 and 4.5 percent while inflation rate 3.5 and 2.5 percent respectively.

Peru's Total GDP and Agricultural GDP in billion dollars (1997 - 2003)

Year	Total GDP		Agricultural GDP		
	Total	Growth (%)	Total	Growth (%)	GDP's share (%)
2003*	38.1	3.8	3.2	2.3	8.6
2002	36.7	3.1	3.2	4.0	8.8
2001	35.5	2.7	3.1	-0.6	8.8
2000	34.6	3.1	3.1	6.2	9.0
1999	33.6	0.9	2.9	11.7	8.8

*2003 estimated.
Source: Statistics yearbook "Peru en Numeros 2003"

In 2003, total food sales were estimated in $4.8 billion. Total consumer-oriented food imports reached $271 million, recovering from a turn down in 2001. Food imports are distributed between sectors in 56 percent for the retail, 22 percent for the food processing and 22 percent for the food service.

In 2003, the U.S. was the third major supplier of consumer-ready products in Peru with $25 million (9 percent of market share), facing stiff competition from Chile (27 percent) and Colombia (12 percent). U.S. market share for agricultural and food products in Peru grew from 22 percent in 2002 to 24 percent in 2003, principally due to U.S. bulk imports.

Lima is the major market for consumer-oriented foods with almost one third of total population and more than 60 percent of the national income. High and middle-income consumers, currently the main market for U.S. food sales, reach around 1.6 million inhabitants and have a monthly family income of $1,000 on average.

Fresh fruits, fruit and vegetable juices, processed fruits and vegetables (especially sauces and prepared soups), cheese, pet food, wine and snacks constitute good prospects for U.S. suppliers, especially in supermarkets. Peru also offers opportunities for delicatessen food in the high-end HRI and Retail sectors as well as for imported food ingredients within the food processing and the HRI sectors.

Social factors that affect consumer-ready product demand in Peru include urban expansion, especially in the suburbs of Lima, more participation of women in the workforce (38 percent), high percentage of young population that prefers eating fast food, and exposure to product supply information through media.

Peru offers promising conditions for U.S. import products due to the expansion of supermarket and fast food chains, a growing trend for processed food consumption, future investments in the HRI sector and economic stability. However, major constraints are customer preferences for fresh food, limited purchasing power and tariff and non-tariff barriers.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
➢ Upcoming Andean Free Trade Agreement (FTA).	➢ Peruvians prefer meals based on fresh products.
➢ Economic stability.	➢ Lack of brand awareness among consumers.
➢ Appreciation for U.S. food quality and culture.	➢ New local food brands appearing in the market at very low prices.
➢ Supermarkets sales are growing fast (its market share will double in five years), mainly through opening new outlets in the suburbs of Lima.	➢ Low purchasing power; 76 percent of the total Peruvian population are low-income consumers.
➢ Peruvian government is funding tourism promotion, creating new opportunities for food service development.	➢ Price band imposed on "sensitive" products such as corn, rice, sugar and dairy products, mean higher prices for processed foods.
➢ Fast food chains are expanding in Lima and in major cities (Arequipa, Trujillo and Piura).	➢ Supermarkets, the main source of imported food products, account for only 24 percent (in Lima) of total retail food sales.
➢ The food processing industry is concentrated within 86 companies accounting for 75 percent of sales.	➢ High tariffs applied to most food imports until FTA is signed and come into force.
➢ The pet food market is growing rapidly (30 percent annually).	➢ A government promoted campaign called "Buy Peruvian".
➢ People are becoming aware of diet, light and healthy food products through media.	➢ Smuggling.

Section II. Exporter Business Tips

- Peruvian diet is based on fresh products and chilly seasonings.
- Imported food products have an import tariff rate that varies according to the type of product, ranging between 12 and 25 percent.
- Corn, rice, sugar and dairy products (powdered milk, whey, cheese and butter) are subject to a price band (a variable levy) in addition to a fixed 25 percent tariff.
- All food products are subject to a 19 percent local sales tax (IGV). Beer and wine mark up an additional selective consumer tax (ISC) of 20 percent.

- **Food standards and regulations**

  Sanitary inspection, food registration, packaging and control regulations for food and beverages are included in the Supreme Decree No. 007-98-SA of September 25, 1998. Agencies that regulate these procedures include the Sanitary and Phytosanitary Inspection Agency (SENASA) for inspection on animal and plant origin products and the General Environmental Health Bureau (DIGESA) for food and beverages. The agency in charge of labeling standards, labeling control and trademarks is the National Institute for the Defense of Competition and for the Protection of the Intellectual Property (INDECOPI).

- **General import and inspection procedures**

  In order to clear Customs (ADUANAS) it is required a Customs Unique Declaration (DUA), a commercial invoice, an airway bill or bill of lading, a packing list, an insurance letter and a food sanitary registry for food processed products (issued by DIGESA) or a Sanitary Certificate for animals, plants or their by-products (issued by SENASA).

Once the customs agent transmits the DUA electronically, ADUANAS will determine the type of control for the merchandise within the following channels: green, orange and red. Channel green permits deliver of the product once duties are paid; channel orange requires review of the documentation and channel red requires the review the documentation and physical inspection of the product.

- **Food and Beverage sanitary registration**

The importer needs to submit a sworn application to DIGESA (available at www.digesa.sld.pe) accompanied with a Certificate of free trade and use issued by the health authority of the country of origin and a receipt of approximately $64. If the certificate is not available, the importer should present a document issued by the Peruvian Consulate in the country of origin. The sworn application includes the contact information of the importer's company and the manufacturer, his single registry number (R.U.C.), the list of products requested and per each product its content, the results of physical-chemical and microbiological analysis, lot code system, expiration date and storage conditions.

This procedure will take no more than seven working days. The Sanitary Registration will be valid for five years from the date of issue and may be renewed between seven and sixty working days before the expiration date.

- **Certificates for Animals, Plants and their by-products**

Before the product is shipped, the importer must request an import permit from SENASA. The exporter will provide to the importer the corresponding official Sanitary certificate of the country of origin, including the specific certification requirements of SENASA.

Imports of beef, goat, sheep and venison and their products from the United States are banned due to BSE (Bovine Spongiform Encephalopathy). U.S. poultry products are allowed except for fresh/frozen poultry and poultry products originating from the States of California, Connecticut, Delaware, Maryland, New Jersey, Pennsylvania, Rhode Island, and Texas.

The Food Safety Inspection Service (FSIS) is the authority in charge of issuing certificates for meats and by-products. The Agricultural Marketing Service (AMS) issues U.S. Dairy products certificates.

- **Labeling requirements**

Imported packaged foods must carry a separate adhesive label with the correspondent Spanish translation and the importer/distributor's contact information and R.U.C.

Section III. Market Sector Structure and Trends

- In order to enter the Peruvian food market, U.S. exporters should contact local food processing companies, importers/wholesalers/distributors directly or indirectly through brokers, agents or representatives.

- Regardless of which strategy is chosen, personal visits are highly recommended. The local partner should be well known by the U.S. company before any permanent contractual arrangement is made.

- The local partner should be able to provide updated information on market consumer trends, current market development (merchandising, point of sales and promotion activities) and trade business practices.

- **Food Service Sector**

In 2003, total food sales in Peru's HRI sector were approximately $145 million. More than 60 percent of this amount corresponds to the high-end food service sector. Food imports were estimated at almost $60 million. Local products, basically fresh, satisfy 60 percent of the market demand due to lower prices and preferences in taste. For 2004, growth is estimated in three percent.

The niche market for U.S. exporters in this sector include luxury hotels and restaurants, some family style restaurants, coffee shops and fast food chain restaurants. Fast food chains present the fastest growth with almost eight percent annually. The local Bembos leads the fast food sales with half of the hamburger market ($14 million).

Tourism is expected to reach 1.1 million visitors in 2004, and grow 12 percent in 2005 due to new investments in lodging of the international hotel chains ACCOR, Meliá, Casa Andina, Orient Express and Marriott.

- **Food Processing Sector**

In 2003, total food processed sales were estimated at $3 billion of which $60 million were imported. For 2004, growth of this sector is estimated in four percent for total sales and three percent for imports.

Food processors are concentrated in 86 companies, which represent 75 percent of total sales. Major local, shared with foreign investment, food-processing companies include Alicorp (dairy, snacks, food ingredients, sauces, pasta), Backus and Cervesur (breweries), Gloria and Laive (dairy products), San Fernando and Avinka (poultry meat and processed), Industrias Añaños (sodas), Montana (food ingredients) and Destilería Peruana (alcoholic beverages).

U.S. prospects in the food processing sector include dairy products (expected recover in 14 percent for 2004) and bakery ingredients (very small market, 385 TM, but with growth potential specially in butter improvers).

- **Peru's Food Retail Sector**

In 2004, Peru's total food retail market is estimated in $4.4 billion. Eighty percent of this market is concentrated in Lima ($3.5 billion). Grocery stores and traditional markets constitute 80% of Peru's market share.

In 2004, supermarket chains will reach $1 billion of food sales, growing 16 percent in average in the last four years. Supermarket constitutes 24 percent of market share in Lima. This percentage is expected to double in the next five years.

Supermarkets are developing a strategy based on expansion to peripheral areas around Lima, where purchasing habits in supermarkets need to be improved. These fast growing areas are constituted by low-income families, mostly concerned about price and quite indifferent on brand names.

Five percent of the consumer-ready products sold in supermarkets are imported. Although they are particularly sensitive to economic conditions, there is a growing trend and potential for U.S. food exports in poultry meat, cheeses, snacks, fruit and vegetable juices, fresh fruits (especially pears and apples and very newly, grapes), canned fruits and vegetables, wines and liquors and pet food.

E. Wong and Supermercados Peruanos are the two major supermarket chains in Peru followed by the one-year old Tottus. Between them, E. Wong holds 65 percent of the supermarket market share and Supermercados Peruanos, recently bought by the local bank Interbank, 32 percent.

Section IV. Best High-Value Product Prospects

- Neighboring countries, especially Chile, Colombia and Brazil, are major food exporters to Peru due to low transport costs and preferential tariffs. Argentina is also exporting to Peru with better prices than the U.S. because of the devaluation in 2002 and its proximity.

- The U.S. is negotiating a bilateral free trade agreement (FTA) with the Andean countries, including Peru. The FTA will be signed in June 2005, allowing low or duty free tariffs for many food and agricultural products that are now being negotiated.

- Peru allowed tariff preferences to the Andean Community (Bolivia, Colombia, Ecuador and Venezuela), and with Mexico, Paraguay, Argentina, Brazil, Uruguay and Cuba. Peru is an associated country to MERCOSUR and is also looking for bilateral free trade agreements with the European Union and very recently with Chile.

Product/ Product Category	**Market Size 2004 est.**	**Imports 2004 est.**	**1999-2003 Avg. Annual Import Growth**	**Import Tariff Rate**	**Key Constraints Over Market Development**	**Market Attractiveness for the U.S.**
Cheese	9,699 tons	2,300 tons ($6.8 million)	9.8%	25% + Price band	- Cheese is subject to a price band. - Main competitors are neighbors: Argentina and Bolivia. -U.S. high prices perceived at HRI and Retail Sectors.	- Used mainly at Food Processed Sector, but with potential in HRI and Retail. - U.S. was the first supplier with 25% followed closely by Argentina in 2003.
Pet food	23,000 tons	10,800 tons ($6.3 million)	30%	12%	- Brazil held 46% and Argentina 36% of imports in 2003. - Argentina is winning U.S. market due to U.S. beef products ban.	- Pet feeding care is growing fast. - The U.S. is the third major supplier with 15%. - Local consumers recognize U.S. pet food quality. - The U.S. is replacing beef meat as an ingredient in pet foods to poultry and pork to overcome the ban.
Wine	11.7 million litres	5.6 million litres ($9.9 million)	3% (no growth in 2000)	17%	- Chile (41%), Argentina (21%) and Spain (19%) are major exporters. - Strong promotions. - Only regular wine consumers recognize U.S. wine quality.	- There is a niche market for quality wines on which the U.S. can be appreciated and price competitive. - Peru's wine consumption is growing. - Post has recently held a Wine & Cheese tasting presenting U.S. wines to major HRI and Retail suppliers.
Snacks	N/A	7.274 tons ($32.8 million)	7.2% (-20% in 2000, market is growing again)	25%	- Major suppliers are neighbor countries Colombia, Chile, Ecuador and Brazil)	- Market with potential growth in HRI and Retail. - U.S. quality is appreciated.

Product / Product Category	Market Size 2004 est.	Imports 2004 est.	1999-2003 Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Fruits and vegetables processed	N/A	31,277 tons	1%	25%	- Chile is the major competitor due to low prices and increased market share in 2003.	- Consumer preferences especially for U.S. soups and sauces. - U.S. imports increased in 4 percent in 2003. - Total imports in 2004 are expected to grow at least 20 percent.
Fresh fruits	N/A	21,564 tons ($24 million)	13% (fluctua-ting market)	25%	- Chilean imports come almost duty free.	- U.S. exports in a window different from Chile, the major competitor. - Pears and recently grapes are appreciated in the high-end market.
Fruit & Vegetable juices	N/A	8,730 tons ($10.71 million)	39%	25%	- Colombia and Mexico are major suppliers.	- Growing market. - U.S. grew 66% in 2003.

Section V. Key Contacts and Further Information

If you have any question or comments regarding this report or need assistance exporting to Peru, please contact the Foreign Agricultural Service in Lima at the following address:

U.S. Embassy Lima, Foreign Agricultural Service (FAS)
Mailing Address: Office of Agricultural Affairs, Unit 3785, APO AA 34031
Address: Av. La Encalada cdra. 17, Monterrico, Lima 33
Phone: (511) 434-3042
Fax: (511) 434-3043
E-mail: Aglima@usda.gov

For further information, check the FAS web site www.fas.usda.gov or our web site www.usdaperu.org.pe. Please, also refer to our other current food market related reports: Food and Agricultural Import Regulations and Standards (FAIRS), Food Processing Ingredients Sector, Retail Food Sector and HRI Food Service Sector.

Trade Associations

American Chamber of Commerce of Peru (AMCHAM)
President: Juan Saca
General Manager: Aldo Defilippi
Address: Av. Ricardo Palma 836, Miraflores - Lima 18
Phone: (511) 241-0708

Fax: (511) 241-0709
Web site: www.amcham.org.pe
E-mail: amcham@amcham.org.pe

National Society of Industries (SNI)
President: Geroge Schofield
Address: Los Laureles 365, San Isidro - Lima 27
Phone: (511) 421-8830
Fax: (511) 442-2570

Hotel and Restaurant Association (AHORA)
President: Adolfo Perret
Address: Av. Benavides 881, Lima 18
Phone: (511) 444-7825
Fax: (511) 444-4303
Web site: www.ahoraperu.com

Ministries and Government Agencies

Ministry of Agriculture (MINAG)
Minister: Eng. Alvaro Quijandría
Address: Av. Salaverry 655 – Lima 11
Phone: (511) 433-3034 / (511) 431-0424
Fax: (511) 431-0109
Web site: www.minag.gob.pe

The National Agricultural Sanitary and Phytosanitary Service (SENASA)
Director: Dr. Elsa Carbonell
Address: Pasaje Francisco de Zela s/n, Lima (10^{th} floor) – Lima 11
Phone: (511) 433-8026
Fax: (511) 433-7802
Web site: www.senasa.gob.pe

General Environmental Health Bureau (DIGESA)
General Director: Eng. Jose Alberto Albinagorta
Address: Las Amapolas 350, Urbanizacion San Eugenio - Lima 14
Phone: (511) 442-8353 /440-0071
Fax: (511) 440-6797 / 422-6404
Web site: www.digesa.sld.pe

Customs (SUNAT)
Superintendent: Dr. Nahil Hirsh
Address: Av. Garcilazo de la Vega 1472 – Lima 1
Phone: (511) 465-9206
Web site: www.aduanet.gob.pe

National Institute for the Defense of Competition and for the Protection of the Intellectual Property (INDECOPI)
President: Santiago Roca
Address: Calle de la Prosa 138 - San Borja
Phone: (511) 224-7800
Fax: (511) 224-0348
Web site: www.indecopi.gob.pe

APPENDIX 1. STATISTICS

TABLE A. Key Trade & Demographic Information (2003)

Agricultural Imports From All Countries ($million)/ U.S. Market Share (%)[1/]	1,074 / 23
Consumer Food Imports From All Countries ($ million)/ U.S. Market Share (%)[1/]	271 / 9.2
Edible Fishery Imports From All Countries ($ million)/ U.S. Market Share (%)[1/]	26 / 0.88
Total Population (Millions) / Annual Growth Rate (%)[2/]	27.5 / 1.5
Urban Population (Millions) / Annual Growth Rate (%)[2/]	22.3 / 1.6
Number of Major Metropolitan Areas [2/3/]	1
Size of the High-Middle Class (Millions) / Growth Rate (%)[4/]	2 / 3%
Per Capita Gross Domestic Product (U.S. Dollars) – 2003 [2/]	2,009
Unemployment Rate (%)[5/]	8.4
Per Capita Food Expenditures (U.S. Dollars) [6/]	123
Percent of Females of Working Age [7/]	51.1
Exchange Rate (US$1 = X.X local currency) [6/]	$1 = S/. 3.38

[1/] Source: UN Trade database of 2003.

[2/] Source: Statistics Yearbook "Peru en Números 2003", Cuanto Institute.

[3/] Lima is the main city with 7.9 million inhabitants and 1.76% of annual growth. There are four other cities, Arequipa, Trujillo, Chiclayo and Piura, with more than 600,000 inhabitants.

[4/] Source: "Peru 2003, Social Economical Levels". Apoyo consultancy.
There are five social-economical levels in Peru of which A and B constitute the high-middle class.

[5/] Total Population in age of working (15 years or above) is estimated in 13.4 million. However, underemployment is 46 percent.

[6/] High and middle class consumers expend on food $280 per month.

[7/] Women constitute seven million or 43 percent of the population in age of working. Eight percent of this amount is unemployed and 50 percent is underemployed.

[6/] Exchange rate as of September 2004. Local currency is the Sol.

TABLE B. Consumer Food and Edible Fishery Product

Peru Imports (in Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
CONSUMER-ORIENTED AG TOTAL	266	260	271	25	27	25	10	10	9
Snack Foods (Excl. Nuts)	23	25	27	1	2	1	5	6	5
Breakfast Cereals & Pancake Mix	2	2	2	1	1	1	20	20	24
Red Meats, Fresh/Chilled/Frozen	13	15	19	2	1	2	13	10	10
Red Meats, Prepared/Preserved	2	2	2	1	1	1	27	21	20
Poultry Meat	4	5	4	1	1	1	36	20	0
Dairy Products (Excl. Cheese)	64	50	36	2	1	1	3	2	3
Cheese	6	6	7	2	2	2	36	27	25
Eggs & Products	1	3	2	1	1	1	1	2	4
Fresh Fruit	27	16	17	1	1	1	2	1	2
Fresh Vegetables	1	1	1	1	1	1	2	6	4
Processed Fruit & Vegetables	18	19	19	2	2	2	9	12	11
Fruit & Vegetable Juices	1	1	1	1	1	1	56	58	53
Tree Nuts	1	1	1	1	1	1	8	3	1
Wine & Beer	11	11	12	1	1	1	3	3	2
Nursery Products & Cut Flowers	1	1	1	1	1	1	4	2	19
Pet Foods (Dog & Cat Food)	4	5	6	2	2	1	42	33	21
Other Consumer-Oriented Products	88	99	115	12	14	14	13	15	12
FISH & SEAFOOD PRODUCTS	22	24	26	1	1	1	0	0	1
Salmon	1	1	1	1	0	1	0	0	8
Surimi	1	1	1	0	0	0	0	0	0
Crustaceans	1	1	1	1	1	1	1	0	1
Groundfish & Flatfish	2	10	7	0	1	1	0	0	0
Molluscs	1	1	1	0	1	1	0	17	5
Other Fishery Products	19	13	16	1	1	1	0	0	1
AGRICULTURAL PRODUCTS TOTAL	1,049	1,080	1,015	239	242	240	23	22	24
AG, FISH & FORESTRY TOTAL	1,096	1,131	1,074	242	244	242	22	22	23

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C. Top 15 Suppliers of Consumer Foods and Edible Fishery Products

Peru - Top 15 Suppliers

CONSUMER-ORIENTED AG IMPORTS				FISH & SEAFOOD PRODUCT IMPORTS			
($1,000)	2001	2002	2003	($1,000)	2001	2002	2003
Chile	77,101	71,796	72,145	Chile	13,795	15,548	12,682
Colombia	19,883	20,196	31,149	Ecuador	6,493	5,360	9,463
United States	25,469	26,844	25,045	Japan	660	1,173	1,581
Argentina	13,009	18,454	24,232	Panama	0	3	555
Brazil	13,101	14,444	14,731	Spain	73	151	260
New Zealand	33,512	21,510	14,589	Taiwan	0	0	248
Mexico	8,778	10,261	11,495	United States	31	99	226
Bolivia	7,484	9,463	9,621	China	21	35	190
Ecuador	8,763	8,402	8,792	Mexico	0	13	120
Australia	6,651	8,605	6,337	Argentina	0	8	91
Netherlands	3,763	4,248	5,173	Cyprus	0	3	77
Venezuela	7,488	5,402	4,929	Venezuela	846	527	49
Canada	4,861	5,510	4,509	Indonesia	45	3	41
Spain	3,336	3,741	4,302	Norway	10	0	37
France	4,466	4,007	3,966	Russian Federation	0	15	20
Other	28,658	27,521	29,813	Other	266	667	95
World	266,333	260,436	270,850	World	22,243	23,608	25,744

Source: United Nations Statistics Division